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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652:N/A

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACTS

REF: MANILA 14743

1. FORMER AMBASSADOR WILLIAM BLAIR, NEIL GILLEN, LAWYER FOR ACSA, AND FSO JOSEPH WILLIAMS MET BRIEFLY WITH GOV. JOSE DE OCAMPO AND MRS. ALICIA REYES OF DBP ON OCTOBER 24 DURING THEIR VISIT TO WASHINGTON. WE APPRECIATE REFTEL SIGNALING VISIT. WHEN PHILIPPINE EMBASSY CHANNEL FAILED TO PRODUCE RESULTS, MEETING WAS ARRANGED AT LAST MINUTE BY FORMER AMBASSADOR BLAIR.

2. GOV. OCAMPO'S NEGOTIATING SCHEDULE PRECLUDED LONG DETAILED DISCUSSION, BUT OCAMPO PROVIDED MEMORANDUM ON COTTON PROBLEM WHICH LISTED CONTRACTS STILL OUTSTANDING AND GAVE FOLLOWING COMMENTS ON MILLS:

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BEGIN QUOTE

"A. CENTRAL - DBP HAS REQUESTED FIRM BE INCLUDED ON CENTRAL BANK WATCH LIST DUE TO FAILURE TO OPEN L/C'S.

"B. INTERNATIONAL - L/C APPLICATION NOW BEING PROCESSED. FIRM SUBMITTED TO DBP REQUIRED DOCUMENTS (GUARANTEE OF AIC AND BACOM) ONLY ON SEPTEMBER 23, 1975.

"C. LIRAG - FIRM HAS REQUESTED THAT ACEA THROUGH DBP EXTEND DELIVERY DATES FOR ANOTHER 60 DAYS OF PAST DUE CONTRACTED COTTON DUE TO PILING UP OF COTTON INVENTORY RESULTING IN LACK OF STORAGE SPACE.

"D. PACIFIC - DBP AWAITING FIRM SUBMISSION OF REQUIRED COLLATERAL FOR THESE IMPORTATIONS.

"E. UNITED ASIA - FOR CANCELLATION. FIRM HAS STOPPED OPERATION DUE TO FIRE THAT GUTTED FACTORY BUILDING. FIRM IS INCLUDED IN CENTRAL BANK'S WATCH LIST AT REQUEST OF DBP.

"F. YUPANGCO - DBP HAS GIVEN YUPANGCO UP TO SEPTEMBER 26, 1975 WITHIN WHICH TO OPEN REQUIRED L/C. OTHERWISE DBP SHALL PROCEED WITH FORECLOSURE OF FIRMS MORTGAGES. END OF QUOTE.

3. REMARKS OF OCAMPO AND REYES CLOSELY FOLLOWED THESE WRITTEN COMMENTS WITH FOLLOWING AMPLIFICATIONS:

A) YUPANGCO - PHILIPINOS WERE ASKED IF FORECLOSURE ON YUPANGCO HAD TAKEN PLACE SEPTEMBER 26 AND WHEN L/C'S WOULD BE OPENED. THIS QUESTION, REPEATEDLY ASKED, WAS NOT ANSWERED. MRS. REYES DID SPECIFY THAT L/C FOR 500 BALES HAS DEFINITELY BEEN OPENED (AND THIS HAS NOT YET BEEN CONFIRMED BY CIEC). REQUEST EMBASSY VERIFY CURRENT STATUS OF DPB ACTION AGAINST YUPANGCO IN LIGHT PROMISE OF FORECLOSURE IN ATTEMPT TO DETERMINE WHEN L/C'S WILL BE OPENED.

B) UNITED ASIA- GILLEN MADE STRONG PLEA FOR OPENING LIMITED OFFICIAL USE

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L/C'S, MENTIONING THAG US FIRM CONCERNED (HANS BOHLMAN), ALTHOUGH SMALL, WAS ONE OF MOST RESPECTED IN INDUSTRY. MRS. REYES REPLIED THAT IF MILL WAS REBUILT, L/C WOULD BE OPENED, AND THAT IN MEANTIME FIRM OWNERS WERE ON WATCH LIST.

C) LIRAG - WILLIAMS EXPRESSED REGRET THAT WE COULD NOT ACCCEED TO DBP-LIRAG REQUEST TO CHANGE PRIORITIES FOR

OPENING L/C'S, AND EXPLAINED COMPLEX PROBLEMS POSED BY REASONABLE AND SEEMINGLY SIMPLE REQUEST. WITH REGARD TO STAGGERING SHIPPING DATES FOR COTTON, WE EXPLAINED THAT WE HAD ORIGINALLY UNDERSTOOD THAT LIRAG WAS CONTACTING SHIPPERS DIRECTLY BUT WE WOULD LOOK INTO

QUESTION IMMEDIATELY. SEPTEL THIS SUBJECT GIVES DETAILS OF OUR POSITION ON THIS ISSUE.

D) CENTRAL - GOV. OCAMPO STATED THAT PROBLEM WITH CENTRAL, INVOLVING ONLY 412 BALES, WOULD BE RESOLVED IN NEXT FEW DAYS.

E) INTERNATIONAL - MRS. REYES ASSURED GROUP THAT OPENING OF L/C'S WAS ONLY A MATTER OF TIME.

F) PACIFIC - NEITHER OCAMPO NOR REYES WERE FORTHCOMING REGARDING PACIFIC MILLS COLLATERAL PROBLEMS. REQUEST EMBASSY ATTEMPT TO CLARIFY THIS SITUATION, SINCE THIS SEEMS TO BE LEAST PROMISING MILL AT PRESENT.

4. CONVERSATION WAS CORDIAL AND INFORMAL, AND GENERAL IMPRESSION WAS THAT GOP INTENDS TO MAKE GOOD ON ASSURANCES. ALTHOUGH, SITUATION REGARDING YUPANGCO STILL REMAINS A QUESTION MARK AS DOES THAT OF PACIFIC AND TO A LESSER EXTENT INTERNATIONAL, WE ARE MOST APPRECIATIVE OF DBP'S FORTHCOMING ATTITUDE AND ACTIONS IT HAS TAKEN TO CARRY OUT ASSURANCES. KISSINGER

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